



Briefing note – Furlough extended again

Furlough Scheme extended again

In an attempt to provide businesses with more certainty, the Chancellor of the Exchequer Rishi Sunak has announced that the Furlough Scheme will be extended for a further month, meaning that the wage subsidy scheme and other loan schemes will stay in place until the end of April.

A combination of a still challenging coronavirus outlook, as well as the looming end of the Brexit transition period (Deal or No Deal), have put pressure on the Chancellor to extend support.

Under the “winter extension plan” the Government originally indicated that the extension to the CJRS, or Furlough Scheme would be reviewed in January to understand whether the economic circumstances are improving enough for employers to be asked to increase contributions. This has been brought forward in an attempt to allow businesses to plan ahead for the remainder of the winter and into the New Year.

An early review is also of course useful to businesses as it provides certainty well in advance of the 45 day redundancy notice period, demonstrating that the government has perhaps taken on board criticism of prior late announcements when support has been extended.

The Chancellor also confirmed that the Spring Budget will take place on 3 March, and will include the next phase of plans to tackle the virus and protect jobs.

Recap – how does the Coronavirus Job Retention Scheme work?

Until the end of April, employees who are furloughed will receive 80% of their usual salary for hours not worked (capped at £2,500 per month).

| Month | Government Grant | Employer Costs |
|----------------------------------|--|--|
| 1 Nov 2020 – 30 April 2021 | Government to provide 80% of staff salary (capped at £2,500 per month) | Employer pays employer NI costs and statutory minimum employer pension contributions |

For employers using the scheme flexibly, any hours that the employee works as normal must be paid as normal, and attract benefits like pension contributions at the usual rate.

How will the support work, and what will this cost employers?

Essentially, the Government will provide 80% of staff salaries (capped at £2,500 per month) via the grant. The grant though does not cover other employer costs like pension contributions and employer NI costs. This means that employers forced to close will still have to bear these costs for employees unable to work. Government examples for the average claim put these costs at around 5% of the total employment costs for furloughed staff.

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For more information visit:
<https://www.gov.uk/>

Broadstone view

Extending the Furlough Scheme for an extra month well in advance seems a sensible move, and does allow businesses a better window of time in which to plan. It unfortunately strikes a blow through earlier hopes that the Government may have had that support could be gradually withdrawn after Christmas.

More notice of extended support is also to be welcomed, and few businesses will complain about additional help in the face of continued challenging trading conditions and tiered restrictions. Continued Brexit uncertainty also makes this a sensible step to announce now, and will help to alleviate the end of our transition period and genuine departure from the bloc – Deal, or No Deal.

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